

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 INT-08

DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01 SS-20

USIA-15 ACDA-19 IO-14 DRC-01 /233 W

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R 121403Z NOV 73

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 9530

INFO AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

C O N F I D E N T I A L LUSAKA 2050

E.O. 11652: GDS

TAGS: EFIN, EMIN, ZA

SUBJ: REVISION OF MINE AGREEMENTS

REF: LUSAKA 1918

1. JEAN VUILLIQUEZ, CHIEF EXECUTIVE, AMAX ZAMBIA, INC.,
RECENTLY RETURNED FROM DISCUSSIONS NEW YORK WITH COMPANY
LAWYERS AND PRESENTED LETTER NOVEMBER 8 TO GRZ (MINISTER OF
MINES MULEMBA) EMBODYING COUNTER-PROPOSAL FOR OVERCOMING OBSTACLES
IN RENEGOTIATION OF MANAGEMENT AND SALES CONTRACTS.

2. LETTER SETS FORTH AMAX VIEW THAT ARTICLES OF ASSOCIATION
NEED NOT REPEAT NOT BE ALTERED TO MEET GRZ OBJECTIVES. HOWEVER,
IF GRZ INSISTS ON A CHANGE, AMAX COULD ACCEDE IF LEGAL FORMULA
THEY PROPOSE ACCEPTABLE TO GRZ.V FOR EXAMPLE, VUILLIQUEZ
EXPLAINED THAT THOSE PROVISIONS GIVING VETO TO MINORITY SHARE-
HOLDERS ON CERTAIN ISSUES COULD BE DROPPED IN FAVOR OF 75
PERCENT MAJORITY VOTE WITHOUT DISTINCTION BETWEEN SHOREHOLDERS,
ALTHOUGH EFFECT COULD BE SUBSTANTIALLY THE SAME.

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3. VUILLIQUEZ REAFFIRMED BASIC AND REPEATED AMAX POSITION (COMMUNICATED IN ARMSTRONG-WILKOWSKI TELECON IN NAIROBI'S 7385) THAT COMPANY COULD NOT SPEAK FOR LARGE BLOCK OF 50,000 OTHER MINORITY SHAREHOLDERS -- A POINT WHICH ZAMBIANS DO NOT REPEAT NOT SEEM TO UNDERSTAND. VUILLIQUEZ EXPLAINED BREAKDOWN N RCM MINORITY SHAREHOLDING (GROUP B WITH 49 PERCENT STOCK AND GOVERNMENT HOLDING OTHER 51 PERCENT) AS FOLLOWS: AMAX 41 PERCENT, ANGLO 25 PERCENT, WITH ALL OTHER SHAREHOLDERS -- MOSTLY INDIVIDUALS -- HOLDING 34 PERCENT. FOR AMAX TO ATTEMPT TO REPRESENT THIS THIRD SUB-GROUP IN ITS CURRENT NEGOTIATION WITH GRZ WOULD RUN RISK OF INVITING LAWSUIT SIMILAR TO THAT WHICH AMAX LOST TO PHILADELPHIA LAWYER AS RESULT OF 1969 NEGOTIATION. VUILLIQUEZ IS SOMEWHAT ANNOYED WITH MULEMBA'S APPARENT INABILITY TO RECOGNIZE COMPANY POINT OF VIEW ON THIS ISSUE. VUILLIQUEZ POINTEDLY ASKED THAT AMBASSADOR MAKE COMPANY POSITION CLEAR TO PRESIDENT KAUNDA SHOULD APPROPRIATE OCCASION ARISE.

4. IN GENERAL VUILLIQUEZ WAS OPTIMISTIC THAT SOMETHING COULD EVENTUALLY BE WORKED OUT WITH GRZ WHICH WOULD ENABLE LATTER TO CLAIM ITS POLITICAL OBJECTIVES REACHED WITHIN NARROW CONSTRAINTS OF PRESIDENT'S CATEGORICAL STATEMENT OF AUGUST 31, WHILE STILL PROTECTING COMAPNY'S COMMERCIAL INTERESTS. HOWEVER, TIME RUNNING SHORT AND RESTLESSNESS INCREASING AMONG MANAGEMENT AND TECHNICAL LEVELS WITH CONTINUED UNCERTAINTY GENERATED BY LAGGING NEGOTIATIONS. VUILLIQUEZ SEES NO SOLUTION BEFORE NEW YEAR BECAUSE OF PREOCCUPATION WITHIN GRZ OVER UPCOMING GENERAL ELECTIONS.

5. IN CONTRAST TO VUILLIQUEZ'S OPTIMISM, ZACH DE BEER, MANAGING DIRECTOR, NCHANGA CONSOLIDATED COPPER MINES, ANGLO-AMERICAN, TOLD AMBASSADOR NOVEMBER 8 HE WAS 75 PERCENT PESSIMISTIC THAT A MUTUALLY SATISFACTORY SOLUTION COULD BE WORKEDOUT, ALTHOUGH HE ADMITTED TO A HIGHER DEGREE OF PESSIMISM TWO MONTHS AGO. WILKOWSKI

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